Hartalega Holdings (HART MK)

2QFY26: Improving Profitability, But Not Out Of The Woods

HOLD (Maintained)

Share Price	RM1.19
Target Price	RM1.26
Upside	5.9%

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Highlights

- Harta's 2QFY26 earnings improved on better efficiency and lower costs, but top-line remains under pressure from the weakening MYR/USD rate and oversupply dynamics.
- Internal cost optimisation remains as the group's core focus, with further headcount reduction and efficiency enhancement within production lines.
- Intensifying China competition and oversupply dynamics continue to impact earnings. Maintain HOLD with a lower target price of RM1.26 (from RM1.40).

2QFY26 Results

Year to 31 Mar (RMm)	2QFY26	qoq % chg	yoy % chg	Comments
Revenue	**539.7**	**-2.4**	**-17.2**	Down qoq due to flat volume sales (+1%) and weakening MYR/USD rate (-2%).
Operating exp.	-525.9	-3.6	-22.5	Lower opex after workforce reduction
EBITDA	**64.3**	**17.1**	**-681.1**	Improved qoq vs RM55m in 1QFY26
EBIT	**23.6**	**63.4**	**-150.3**	
Finance costs	-0.1	-10.6	-87.6	
PBT	**23.5**	**63.8**	**-149.5**	
Taxation	-5.6	180.8	-110.0	
Core net profit	**16.0**	**96.3**	**-155.2**	Stronger earnings, but below expectations
		qoq ppt chg	yoy ppt chg	
EBITDA margin (%)	11.9	2.0	13.6	
Eff. tax rate (%)	-23.8	-9.9	94.3	
Core Net Margin (%)	3.0	1.5	7.4	Margin expanded qoq on better efficiency

Source: Hartalega Holdings, UOB Kay Hian

Analysis

- **Below expectations.** Hartalega Holdings (Harta) registered a 2QFY26 core net profit of RM16m (1QFY26: RM8m), after stripping out exceptional items. 1HFY26 earnings accounted for only 25% and 28% of our and consensus full-year estimates respectively.
- **Weaker qoq revenue reflects flattish volume sales which were dragged by softening MYR/USD rate and ASP.** Note that Harta's revenue decreased 17% yoy and 2% qoq in 2QFY26, despite flattish volume sales (+1% qoq). This is mainly due to the weakening US dollar against the ringgit (-2% qoq) which caused ASPs in ringgit terms to be lower (-4% qoq). ASPs in US dollar terms also declined 2% qoq to US$21.40/'000 pieces.

Key Financials

Year to 31 Mar (RMm)	2024	2025	2026F	2027F	2028F
Net turnover	1,837.6	2,585.6	2,591.6	2,856.8	3,158.9
EBITDA	(23.4)	53.2	274.2	408.8	444.6
Operating profit	(155.5)	(97.5)	104.3	237.4	271.9
Net profit (rep./act.)	(188.9)	(72.9)	79.1	180.2	205.1
Net profit (adj.)	(151.0)	(61.8)	79.1	180.2	205.1
EPS	(4.5)	(1.8)	2.3	5.3	6.1
PE	(26.7)	(65.2)	50.9	22.4	19.6
P/B	0.9	0.9	0.9	0.9	0.9
EV/EBITDA	(113.6)	58.4	10.8	6.8	5.8
Dividend yield	0.4	9.5	1.1	2.5	2.8
Net margin	(10.3)	(2.8)	3.0	6.3	6.5
Net debt/(cash) to equity	(29.3)	(21.3)	(24.7)	(28.2)	(32.0)
Interest cover	(3.1)	25.8	1,158.4	1,726.8	1,878.1
ROE	(5.5)	(2.2)	2.4	5.4	6.0
Consensus net profit	n.a	n.a	86.8	149.6	190.1
UOBKH/Consensus (x)	n.a	n.a	0.9	1.2	1.1

Source: Hartalega Holdings, Bloomberg, UOB Kay Hian

Stock Data

GICS Sector	Consumer Discretionary
Bloomberg ticker	HART MK
Shares issued (m)	3,413.3
Market cap (RMm)	4,095.9
Market cap (US$m)	984.7
3-mth avg daily t'over (US$m)	2.1

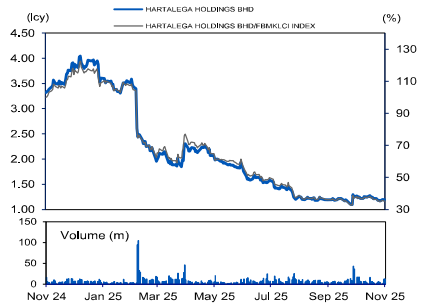
Price Performance (%)

52-week high/low				RM4.00/RM1.10
1mth	3mth	6mth	1yr	YTD
(6.3)	(4.0)	(39.9)	(62.9)	(70.0)

Major Shareholders

	%
Hartalega Industries Sdn Bhd	34.4
Budi Tenggara Sdn Bhd	8.6
KWAP	6.2
FY26 NAV/Share (RM)	1.29
FY26 Net Cash/Share (RM)	0.32

Price Chart



Source: Bloomberg

Company Description

Hartalega is the world's leading nitrile glove manufacturer.

- **Operating matrixes mixed, but margins improved on better efficiency.** In 2QFY26, Harta charted a slightly higher utilisation rate of 68% (1QFY26: 67%) based on an adjusted capacity of around 35b. This mainly reflects better demand as US customers' normalised inventory replenishment offset intensifying competition within the Europe market. Nevertheless, earnings improved as continuous cost rationalisation and efficiency enhancement efforts lifted EBITDA margins to 11.9ppt (+2ppt qoq).

2QFY26 Operating Metrics

	2QFY26	qoq % chg	yoy % chg	Comments
Gloves (b pcs.)	5,980	1.3	-12.6	Increased qoq on higher orderbook and demand
Utilisation rate (%)	68%	1.1	-24.3	
Blended ASP (US$)	21.4	-1.7	-0.2	ASPs decreased 2% qoq in US dollar terms
Exchange rate	4.23	-1.9	-5.2	US dollar weakened 2% qoq against ringgit
COG/ '000 gloves (RM)	87.9	-4.8	-11.4	Cost per unit reduced on lower input cost

Source: Hartalega Holdings, UOB Kay Hian

- **Anticipates marginal improvement in 2HFY26 as oversupply persists.** Moving into 2HFY26, Harta's overall outlook should improve as US customers' restocking cycle largely normalises, while further production cost reduction lifts margin. We also understand that US distributors have stopped importing medical gloves from China manufacturers due to the current high tariffs (97% in 2025). Management guided an 8-10% qoq volume sales improvement and flattish ASP of US$20-21/'000 pcs in 2HFY26.
- **Further cost rationalisation in motion to achieve optimal efficiency levels.** After completing an earlier downsizing plan to reduce its 8,000 headcount to around 6,000, Harta will also set aside RM300m to further automate its production lines to optimise overall efficiency, which will eventually reduce its workforce by another 1,000 headcount. Hence, we expect margins to significantly recover in FY26 off FY25's low base, coupled with an improvement in utilisation rate on better demand beginning 1QFY26 (Apr-Jun 26). Management intends to lift running capacity from the current 25.6b pieces annually (after hibernating Plant 3 and 4) to 26b-27b pieces by end-FY26. This will be done by commissioning the remaining seven production lines in its Plant 9 (currently running five lines).
- **Ongoing involution from China competitors remains a threat.** Given the severity of the current US tariffs on China-made medical gloves (97% in 2025, 147% in 2026), China glovemakers have largely reduced their exposure to the US market and re-channelled their sales to regions like Europe and Asia with more competitive price-cutting strategies. This has resulted in more challenging dynamics and declining profitability (lower ASPs and margins) for non-US sales. That said, the reduction in 2H25 sales from the non-US markets for local glovemakers will be buffered by increasing US sales as Malaysia's market share of US medical glove imports may grow to 65-70% (from 25-30% in 2024) following China players' exit.

Valuation/Recommendation

- **Maintain HOLD with a lower target price of RM1.26** (from RM1.40), ascribing 28.0x 2026F PE (five-year mean).

Earnings Revision/Risk

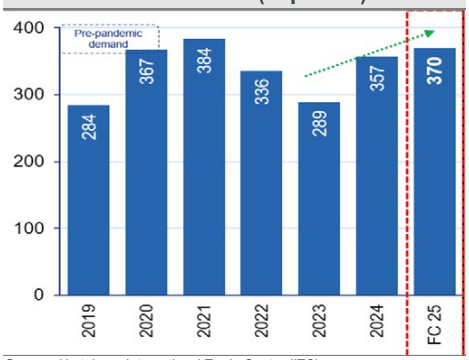
- **Cut FY26 and FY27 earnings by 19% and 9% respectively** as we reduce volume sales and utilisation rate assumptions following management's toned-down guidance.

Assumptions

	FY25	FY26F	FY27F
Revenue (RMm)	**2586**	**2592**	**2857**
Growth yoy (%)	41%	0%	10%
ASP growth yoy (%)	3%	3%	2%
Volume growth (%)	42%	2%	8%
Profit (RMm)	**26**	**79**	**180**
Growth yoy (%)	-21%	208%	128%
Profit margin (%)	1%	3%	6%

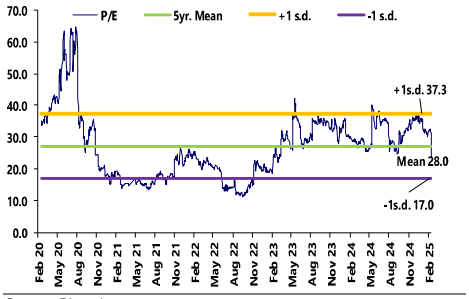
Source: UOB Kay Hian

Global Gloves Demand (b' pieces)



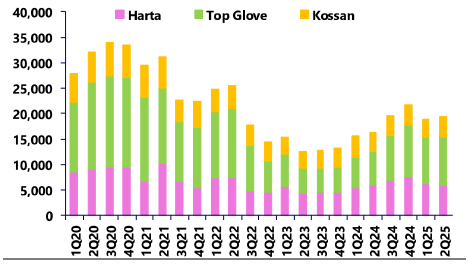
Source: Hartalega, International Trade Center (ITC)

Five-Year Forward PE Band



Source: Bloomberg

Malaysian Glove Players' Quarterly Sales Volume (m' pcs)



Source: Respective companies, UOB Kay Hian

Profit & Loss

Year to 31 Mar (RMm)	2025	2026F	2027F	2028F
Net turnover	**2,586**	**2,592**	**2,857**	**3,159**
EBITDA	53	274	409	445
Deprec. & amort.	151	170	171	173
EBIT	(97)	104	237	272
Total other non-operating income	0	0	0	0
Associate contributions	0	0	0	0
Net interest income/(expense)	(2)	0	0	0
Pre-tax profit	**(100)**	**104**	**237**	**272**
Tax	26	(25)	(57)	(67)
Minorities	0	0	0	0
Net profit	**(73)**	**79**	**180**	**205**
Net profit (adj.)	(62)	79	180	205

Balance Sheet

Year to 31 Mar (RMm)	2025	2026F	2027F	2028F
Fixed assets	2,573	2,573	1,962	2,247
Other LT assets	443	617	480	454
Cash/ST investment	923	1,082	1,255	1,452
Other current assets	801	861	920	1,001
Total assets	**4,740**	**5,133**	**4,617**	**5,155**
ST debt	4	4	4	4
Other current liabilities	236	266	281	441
LT debt	0	0	0	0
Other LT liabilities	181	181	181	181
Shareholders' equity	4,322	4,358	4,439	4,532
Minority interest	(3)	(3)	(3)	(3)
Total liabilities & equity	**4,740**	**4,807**	**4,903**	**5,155**

Cash Flow

Year to 31 Mar (RMm)	2025	2026F	2027F	2028F
Operating	**114**	**228**	**308**	**327**
Pre-tax profit	48	104	237	272
Tax	(14)	(25)	(57)	(67)
Deprec. & amort.	151	170	171	173
Associates	0	0	0	0
Working capital changes	(49)	(21)	(44)	(51)
Non-cash items	(24)	0	0	0
Other operating cashflows	2	0	0	0
Investing	**(140)**	**(26)**	**(35)**	**(18)**
Capex (growth)	(36)	(26)	(35)	(18)
Proceeds from sale of assets	(159)	0	0	0
Others	55	0	0	0
Financing	**(466)**	**(44)**	**(99)**	**(113)**
Dividend payments	(401)	(43)	(99)	(113)
Proceeds from borrowings	(63)	0	0	0
Loan repayment	(60)	0	0	0
Others/interest paid	58	0	0	0
Net cash inflow (outflow)	**(492)**	**159**	**173**	**197**
Beginning cash & cash equivalent	**1,427**	**923**	**1,082**	**1,255**
Changes due to forex impact	(12)	0	0	0
Ending cash & cash equivalent	**923**	**1,082**	**1,255**	**1,452**

Key Metrics

Year to 31 Mar (%)	2025	2026F	2027F	2028F
Profitability				
EBITDA margin	2.1	10.6	14.3	14.1
Pre-tax margin	(3.8)	4.0	8.3	8.6
Net margin	(2.8)	3.0	6.3	6.5
ROA	(1.9)	2.0	4.7	5.0
ROE	(2.2)	2.4	5.4	6.0
Growth				
Turnover	(8.5)	(8.3)	1.0	11.7
EBITDA	(91.8)	(57.9)	(37.3)	(31.8)
Pre-tax profit	(118.1)	(81.1)	(57.0)	(50.7)
Net profit	(116.0)	(82.6)	(60.4)	(54.9)
EPS	(113.1)	(83.3)	(61.9)	(56.6)
Leverage				
Debt to total capital	0.1	0.1	0.1	0.1
Debt to equity	0.1	0.1	0.1	0.1
Net debt/(cash) to equity	(21.3)	(24.7)	(28.2)	(32.0)
Interest cover	25.8	1,158.4	1,726.8	1,878.1

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